

Annual Report 1967 City Stores Company





On the cover and gatefold — a super review of fashion and gifts for the Young Individualist junior, on Franklin Simon New York's "swinging" fourth floor.

CITY STORES COMPANY

132 West 31st Street

New York, New York 10001

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders of City Stores Company will be held at the Statler Hilton Hotel, Seventh Avenue at 32nd Street, New York, New York, in the Skytop Room, on Wednesday, May 31, 1967 at 11:00 o'clock A.M., Eastern Daylight Saving Time, for the following purposes:

1. To elect a Board of Directors to serve until the next Annual Meeting of Stockholders and until their successors shall be elected and shall qualify.
2. To transact such other business as may properly come before said meeting or any adjournment or adjournments thereof.

Only stockholders of record at the close of business April 20, 1967 will be entitled to notice of and to vote at said meeting. The Board of Directors, pursuant to the By-Laws, has set said date for determination of stockholders entitled to notice of and to vote at said meeting.

By order of the Board of Directors,

New York, New York
April 27, 1967

IRVING J. ZIPIN,
Secretary

PLEASE NOTE ANNUAL MEETING DATE IS LATER THAN LAST YEAR

CITY STORES COMPANY

New York, New York

PROXY STATEMENT

This statement is being furnished in connection with the Annual Meeting of Stockholders of City Stores Company ("Company"), which is being held for the purposes set forth in the accompanying Notice of Annual Meeting.

The enclosed proxy is solicited by the management of the Company and may be revoked at any time prior to the time it is voted. Proxies in the form enclosed, properly executed and duly returned to the management and not revoked, will be voted at the meeting for the election of directors and upon such other matters as may be brought before the meeting as hereinafter set forth in this statement.

The cost of soliciting proxies will be borne by the Company. In addition to usual solicitation by mail, proxies may be solicited by personal interview or by telephone or telegraph, and brokers and other persons holding the Company's Common Stock as nominees will be requested to solicit proxies or authorizations from the beneficial owners of the stock.

The Annual Report of the Company for its last fiscal year ended January 28, 1967 is enclosed.

VOTING SECURITIES AND PRINCIPAL HOLDERS

The only outstanding voting security of the Company is the Common Stock, consisting of 2,965,262 shares. Each share is entitled to one vote. Only stockholders of record at the close of business on April 20, 1967 will be entitled to vote at the meeting.

As of March 1, 1967, Bankers Securities Corporation was beneficial owner, directly and indirectly, of 2,212,214 shares of the Company's Common Stock constituting 74.60% of its then outstanding voting securities. Of said amount, 1,634,484 shares, constituting 55.12% of the Common Stock of the Company, were owned of record by Bankers Securities Corporation and 577,730 shares, constituting 19.48%, were owned of record by James F. Hickey. In addition, 14,897 shares, constituting 0.50% of the Common Stock of the Company were owned of record and beneficially by a wholly owned subsidiary of Bankers Securities Corporation. A total of 128,419 shares, constituting 4.33% of the Common Stock of the Company, was owned of record and beneficially by three majority owned subsidiaries of Bankers Securities Corporation, but said ownership is not an admission that Bankers Securities Corporation is the beneficial owner, directly or indirectly, of said shares.

NOMINEES AND DIRECTORS

In accordance with the By-Laws of the Company, the Board of Directors has fixed the number of directors to be elected at the annual meeting of stockholders at 14. It is the intention of the persons named in the enclosed form of proxy to vote such proxy for the election of the following persons who have been designated by the management as nominees, each of whom is a director of the Company. Although the named nominees are presently available for election, if any nominees should later become unavailable for any reason before the meeting (which is not anticipated), the proxies will be voted for a person to be selected by the management of the Company, and the persons named as attorneys and proxies in the form of proxy reserve their discretion to vote for such substitute nominees.

(before Federal taxes but after all charges including said bonus) of said subsidiary but not to exceed \$77,000 per year. Mr. Novogrod was entitled to compensation in the amount of approximately \$70,000 (included in his aggregate remuneration above) under this formula for the subsidiary's last fiscal year. Said agreement also provides for the payment to him or his designated beneficiaries, subject to certain contingencies, of deferred compensation for a period of ten years following his death or other termination of employment, in an annual total amount at the rate as follows: (a) \$10,000 for each of the first nine years and \$16,667 for the tenth year (being the amount of deferred compensation assumed by the subsidiary upon purchase of the business as an offset against the purchase price), (b) \$10,000 per year and (c) one-tenth of an amount equal to the aggregate of any "annual incentive compensation" payable to him during the number of years or portions thereof of his full time employment. "Annual incentive compensation" is a percentage of the first \$500,000 of net earnings of said subsidiary before Federal taxes but after all charges, including said compensation, except that for the period September 1, 1961 to February 3, 1962, said compensation was fixed at \$16,667. Mr. Novogrod's right thereto is cumulative so that a deficiency of earnings in any year may be made up by an excess thereof in succeeding years. During the past fiscal year Mr. Novogrod was entitled to incentive compensation of approximately \$40,000, subject to adjustments based on final year-end figures.

(b) All officers and directors of the Company, as a group, consisting of 22 persons, were paid aggregate remuneration of \$923,452 by the Company and its subsidiaries during the past fiscal year. This includes accruals of deferred compensation of \$165,000.

MATERIAL TRANSACTIONS AND INDEBTEDNESS

As reported in last year's proxy statement, the Company assigned to The Philadelphia National Bank, as agent for itself and two other Philadelphia banks, certain of the Lit Brothers accounts receivable on a revolving basis, providing for a regular discount rate of one-half of one percent above the prime rate for borrowed money. Mr. Amsterdam is a director and Mr. Bunting is a director and an Executive Vice President of The First Pennsylvania Banking & Trust Company, which was one of the banks participating in the foregoing arrangement, said arrangement having terminated in November 1966.

As of January 28, 1967, the Company was indebted to its parent, Bankers Securities Corporation, in the total sum of \$240,000 under a note payable in annual installments of \$60,000 on each August 31st through 1970.

Pursuant to an agreement with the Company, dated September 1, 1961, Mr. Novogrod purchased 1,400 shares (constituting 14%) of the issued and outstanding capital stock of W. & J. Sloane, Inc., of which he is President, at a price of \$560,000, equal to the original price of said stock issued to the Company when said subsidiary was organized in March 1961. Mr. Novogrod paid \$180,000 in cash and issued to the Company (a) a ten-year collateral promissory note in the original principal sum of \$224,000 (now reduced by payments on account thereof to \$190,400), bearing annual interest at the rate of one-quarter of one percent above the rate paid by the Company for current borrowed money prior to each quarterly interest date and (b) a ten-year collateral promissory note in the principal sum of \$156,000, bearing no annual interest. The former note is collateralized by the 1,400 shares purchased by Mr. Novogrod as aforesaid, and the latter note is collateralized by the deferred compensation which may be payable by W. & J. Sloane, Inc. to Mr. Novogrod as above described in footnote (C) under the section entitled "Remuneration of Directors and Officers." As of March 1, 1967, the outstanding indebtedness under said notes aggregated \$346,400.

Under an agreement of January 27, 1967 between the Company, W. & J. Sloane, Inc. and Mr. Novogrod, the Company contributed \$840,000 and Mr. Novogrod contributed \$140,000 to the capital of W. & J. Sloane, Inc. Pursuant to a collateral loan by Mr. Novogrod of said \$140,000 from a bank, the Company released to the bank on a subordinated basis 210 of the aforesaid 1,400 shares held by the Company, as set forth in the preceding paragraph. In the event of a default by Mr. Novogrod of the bank loan, the Company has the option to acquire the bank's note and have the aforesaid 210 shares reassigned to it.

STOCK OPTIONS

Under the Stock Option Plan of the Company, as originally adopted by the shareholders on May 18, 1960, a maximum of 125,000 shares of the Company's Common Stock, \$5.00 par value, may be granted to selected key executives and managerial employees of the Company. On May 20, 1964, the Board of Directors, pursuant to amendments to the Internal Revenue Code, as provided in the Revenue Act of 1964 and in accordance with the aforesaid Stock Option Plan of the Company, authorized amendments to said Plan in order to provide for options granted after January 1, 1964, as "qualified stock options" under the Internal Revenue Code, as amended. Said amendments

- (d) Including, or consisting wholly of, shares owned by a corporation or corporations in which the director owns all or a substantial stock interest. This, however, is not to be construed as an admission that the director is the beneficial owner, directly or indirectly, of any such equity securities.
- (e) In addition, associated persons owned 2,484,659 shares of Common Stock of Company, including those owned by Bankers Securities Corporation (see above), constituting more than 10% of said stock thus owned by Mr. Amsterdam and his associates.
- (f) Mr. Amsterdam, as sole Voting Trustee under a voting trust arrangement, owned of record 35,963 shares or 60.1% of the Common Stock of the parent. Of the shares so held of record, a corporation in which Mr. Amsterdam owns all the stock owned 5,260 shares of Common Stock represented by voting trust certificates and all or part of the shares of Common Stock of the parent reported in the foregoing table for Messrs. Greenfield, Newman and Robb are represented by voting trust certificates. Mr. Amsterdam and his associated persons (including the said Voting Trust) beneficially owned 46,042 shares (28.8%) of the Preferred and 37,392 shares (62.5%) of the Common Stock of the parent. Of such holdings, Mr. Amsterdam, as stated above, held of record 35,963 shares (60.1%) of said Common Stock as Voting Trustee including 11,850 shares beneficially owned by The Albert M. Greenfield Foundation. City Stores Foundation, Inc., to which the Company has made charitable contributions, beneficially owned 12,008 shares of said Preferred Stock. Mr. Amsterdam is a Trustee of The Albert M. Greenfield Foundation and Messrs. Amsterdam, Newman and Melchior are Trustees of City Stores Foundation.
- (g) In addition, members of Mr. Goldsmith's family residing in his home own a total of 3,000 shares of the Company's Common Stock and Mr. Goldsmith is co-executor of an estate (in which he is not a beneficiary) owning 600 shares of the Company's Common Stock.
- (h) In addition, associated persons owned 2,485,733 shares of Common Stock of Company, including those owned by Bankers Securities Corporation (see above), constituting more than 10% of said stock thus owned by Mr. Greenfield and his associates.
- (i) In addition, associated persons beneficially owned 22,105 shares (13.8%) of the Preferred Stock and 15,830 shares (25.5%) of the Common Stock of the parent, including 11,850 shares (represented by voting trust certificates) beneficially owned by The Albert M. Greenfield Foundation, of which Mr. Greenfield is a Trustee.
- (j) Albert M. Greenfield & Co., Inc., of which Mr. Pillion is President and in which he owns more than 10% of the outstanding voting shares, owns 546 shares of the Company's Common Stock and also owns 5,100 shares of Common Stock of Bankers Securities Corporation, of which 4,900 shares are represented by voting trust certificates.
- (k) In addition, associated persons owned 2,212,214 shares of Common Stock of Company, being owned by Bankers Securities Corporation.

REMUNERATION OF DIRECTORS AND OFFICERS

The aggregate remuneration paid by the Company and its subsidiaries during the fiscal year ended January 28, 1967 to (a) each director and each of the three highest paid officers of the Company whose aggregate direct remuneration exceeded \$30,000, and (b) all directors and officers of the Company as a group, is set forth below:

(a)

<i>Name of Individual</i>	<i>Capacities in Which Remuneration Was Received</i>	<i>Aggregate Direct Remuneration</i>	<i>Estimated Annual Pension at Retirement on or After Age 65(A)</i>
ELDRIDGE P. JONES*	Vice President of Company and President of Maison Blanche Division	\$114,232	\$24,981
LOUIS G. MELCHIOR	Vice President, Treasurer and Director of Company	57,900	12,555
ISIDORE NEWMAN, II*	President and Director of Company and Chairman of Board of Maison Blanche Division	70,402(B)	20,228
LEONARD J. NOVOCROD*	Vice President and Director of Company and President of W. & J. Sloane, Inc. subsidiary	120,350(C)	(None)

* These were the three highest paid officers of the Company during the past fiscal year.

(A) The Pension Plan of the Company is not a funded plan and hence no amounts of pension benefits have been accrued with respect to the foregoing individuals. The amounts indicated are the estimated benefits payable to the respective individuals, based on their respective recent five-year average or current rate of annual compensation, assuming retirement at age 65 or over.

(B) The Company has an employment agreement with Mr. Newman providing for his employment on a yearly basis unless terminated sooner, under the terms of which he is to receive a base annual salary and providing also for deferred compensation payments to him or his designated beneficiaries upon his death or other termination of employment, for a period of ten years, subject to certain contingencies and to fulfillment of the terms of said agreement. Pursuant thereto, the Company has accrued \$65,000 during the past fiscal year as such deferred compensation.

(C) W. & J. Sloane, Inc., the Company's 84% owned subsidiary, has an employment agreement with Mr. Novogrod for a period ending January 31, 1971 and extending annually thereafter. Pursuant thereto, Mr. Novogrod may receive, in addition to a base annual salary, a bonus payable out of a fund computed on a varying percentage of an increasing amount of annual net profits

The following information is submitted concerning the present directors of the Company, all of whom are nominees for reelection, and is based on data furnished by each of them:

<i>Directors(a)</i>	<i>Principal Occupation or Employment</i>	<i>Director Since</i>	<i>Shares Beneficially Owned as of March 1, 1967(b)</i>		
			<i>Company</i>	<i>Parent(c)</i>	
			<i>Common</i>	<i>Pfd.</i>	<i>Com.</i>
GUSTAVE G. AMSTERDAM*	Chairman of Board and President of Bankers Se- curities Corp. — Chair- man of Board of Com- pany	May, 1940	2,203(d)(e)	450(d)(f)	5,260(d)(f)
JAMES H. BECKER*	Chairman of Board, A. G. Becker & Co., Inc. — In- vestment Bankers . . .	May, 1951	500	None	None
MURRY C. BECKER*	Partner, Becker, Ross & Stone — Law Firm . .	May, 1946	None	None	None
DAVID BORTIN	Attorney.	May, 1944	300	1,400	101
JOHN R. BUNTING, JR.	Executive Vice President, The First Pennsylvania Banking & Trust Co. — Banking	April, 1966	200	None	None
RALPH L. GOLDSMITH	Retired	Oct., 1951	2,400(g)	None	None
BRUCE H. GREENFIELD	Executive Vice President, Bankers Securities Corp.	April, 1959	600(h)	186(d)(i)	1,450(d)(i)
JOSEPH A. W. IGLEHART	Associated with W. E. Hut- ton & Co. — Investment Bankers	May, 1951	100	None	None
LOUIS G. MELCHIOR*	Vice President & Treasurer of Company	Jan., 1965	200	None	None
ISIDORE NEWMAN, II*	President of Company — Chairman, Maison Blanche Division . . .	May, 1950	1,356	None	1,069(d)
LEONARD J. NOVOGROD	Vice President of Company and President, W. & J. Sloane, Inc., Company's subsidiary	April, 1962	100	None	None
THOMAS C. PILLION	President, Albert M. Green- field & Co., Inc. — Real Estate and Insurance . .	April, 1961	None(j)	None	None(j)
MAX ROBB*	Chairman, Executive Com- mittee, Bankers Securities Corporation	May, 1948	974(d)(k)	200(d)	1,400(d)
SERGE SEMENENKO*	Vice Chairman, The First National Bank of Boston — Banking	May, 1952	100	None	None

* Member of Executive Committee of Company.

(a) The term of office of each director expires at the next annual meeting of stockholders or when his respective successor is duly elected and qualified.

(b) None of the directors or associates of the Company (other than the Company) beneficially owned, directly or indirectly, any equity securities of Company's subsidiaries, except Mr. Novogrod who owns 1,400 shares (14%) of the outstanding capital stock of W. & J. Sloane, Inc.

(c) Bankers Securities Corporation, which owned beneficially 2,212,214 shares of Company's Common Stock.

provide restrictions on options which may thereafter be granted, as follows: (1) options will be granted at prices not less than 100% of the closing market price on the New York Stock Exchange on the date of grant, without any modification thereof, except with respect to so-called dilution factors; (2) options will terminate 5 years after the date of grant; (3) options granted cannot be exercised until after 12 months from date of grant and in such amounts and at such times as specified in said options, but no option may be exercised while there is outstanding any option previously granted to an optionee at a higher option price; and (4) the right to amend, suspend or terminate the Plan is retained as before, but no amendment may, without shareholder approval, increase the total number of shares which may be optioned under the Plan, change the class of employees eligible to receive options or change the option price (except as a result of dilution). The Plan will terminate April 1, 1970. The other provisions of the Stock Option Plan, as approved in 1960 remain unchanged (except in certain minor details), including the number of shares authorized for issuance under the Plan.

As reported last year, on April 6, 1966, the Directors granted qualified stock options under the Plan, as so amended, to selected key executive and managerial employees of the Company, its divisions and subsidiaries, some of whom had previously been granted restricted stock options, in an aggregate amount of 17,450 shares presently outstanding, at the price of \$15.75 per share, being 100% of the official closing price of said stock on the New York Stock Exchange on the date of grant. Included therein were options for 2,000 and 1,500 shares, respectively, granted to Messrs. Jones and Melchior and 7,100 shares to all officers and directors as a group. No options granted by the Company under the said Plan have been exercised by any officer or director of the Company, except a restricted stock option for 3,000 shares exercised by an officer at the option price of \$8.43 per share. The closing market price of the Company's common stock on the New York Stock Exchange on the date of exercise was \$17.375.

BY-LAW AMENDMENTS

The By-Laws of the Company were amended at meetings of the Board of Directors held July 19, 1966 and January 11, 1967, to provide greater flexibility and conformity with applicable Delaware law. These amendments provide that (a) a majority of the board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board, instead of nine members; (b) the annual meeting of stockholders shall be held on the fourth Wednesday, instead of the third Wednesday in May; (c) the number of directors to be elected at said annual meeting shall be fixed at a meeting of the Board held prior to the annual meeting, instead of the specific meeting held just prior to said annual meeting; (d) the record date for the annual meeting shall not be more than fifty days prior to said annual meeting, instead of thirty days; and (e) other minor language changes to bring the By-Laws in conformity with law.

OTHER MATTERS

The management does not know of any matters to be presented at the meeting for action by the stockholders other than the matters already referred to herein and in the notice of annual meeting. If any other matters properly come before the meeting, your proxy will be voted in accordance with the best judgment of the persons named as proxies therein.

IRVING J. ZIPIN,
Secretary.

April 27, 1967

Important

You are cordially invited to attend the meeting; however, if you are unable to be present, will you please sign, date and return the enclosed Proxy promptly in the enclosed postpaid envelope. If you are present at the meeting in person, the Proxy will not be used.

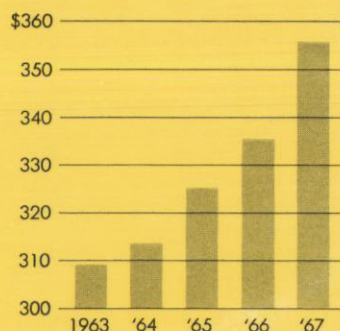
We enclose in this mailing the Notice of Annual Meeting of Stockholders, Proxy Statement, Proxy and Annual Report of the Company for the last fiscal year ended January 28, 1967.



Annual Report City Stores Company

FISCAL YEAR ENDED JANUARY 28, 1967

Net Sales (in millions)



Company Profile

The Company operates 42 department stores in 14 states — 45 Franklin Simon women's specialty stores in 15 states and 25 W. & J. Sloane home furnishings stores in 7 states. The department stores operate under the long established and well accepted names of Lit Brothers, Philadelphia — Maison Blanche of New Orleans — Richards in Miami — Lansburghs, Washington, D. C. — Loveman, Joseph & Loeb in the Birmingham area — B. Lowenstein of Memphis — Kaufman-Straus of Louisville — Hearn's in the Bronx — R. H. White in Worcester — Klines, Kansas City — and the latest addition, Wolf & Dessauer in Fort Wayne. These stores sell their merchandise and services with emphasis on fashion and good taste at prices attuned to their individual markets.

Highlights

Operations*

	YEAR (52 WEEKS) ENDED	
	January 28, 1967	January 29, 1966
Sales	\$355,402,000	\$335,557,000
Income before federal income taxes	10,373,000	8,405,000
Federal income taxes	4,770,000	3,980,000
Net income	5,603,000	4,425,000
Income per share	1.89	1.50

Financial

Current assets	93,763,000	92,640,000
Current liabilities	41,044,000	38,635,000
Working capital	52,719,000	54,005,000
Current ratio	2.3	2.4
Accounts receivable — net of receivables sold	82,372,000	49,929,000
Remittances on portion of receivables	49,269,000	14,014,000
Inventories	47,144,000	41,278,000
Property and equipment — net	34,906,000	34,295,000
Long term debt	14,544,000	16,530,000
Ownership		
Common stock equity	69,802,000	64,156,000
Common stock equity per share	23.54	21.67
Number of shares outstanding		
Common stock — at end of year	2,965,213	2,960,513

Italics denote negative figures.

* Exclusive of extraordinary items which did not result from the usual or typical business operations of the period and have been credited or charged to reserves.

To the Stockholders:

We are again pleased to be able to report that your Company continued to make significant progress in the fiscal year 1966. □ Sales reached a record high of \$355,402,000, an increase of \$19,845,000, or 6% over sales of \$335,557,000 in 1965. These and following figures include the results this year of the newly acquired Wolf & Dessauer division since its acquisition on August 11, 1966. □ Income before taxes was \$10,373,000 compared to \$8,405,000 in 1965. Net income was \$5,603,000 against \$4,425,000, an improvement of 27%. Earnings per share of common stock were \$1.89 in 1966 against \$1.50 in 1965. □ Gross margins continued to increase during the year, offsetting a higher level of expense. Tight expense control was unable to overcome completely the effects of higher wage rates, the increase in Social Security taxes and higher interest costs. In addition, the LIFO provision was \$400,000 greater than in 1965. □ Working capital at year end totaled \$52,719,000 compared to \$54,005,000 in 1965. The 1966 amount reflects a reduction in current assets by reason of the investment of \$5,400,000 in the new City Stores Credit Corporation. □ Long-term debt was reduced by \$1,986,000 to \$14,544,000 after the assumption of \$1,826,000 in debt in connection with the Wolf & Dessauer acquisition. The Company again ended the year with no short-term bank loans. □ In October 1966, City Stores Credit Corporation was established for the purpose of financing the Company's customer accounts receivable. In addition to the Company's investment of \$5,400,000, this corporation has bank lines totaling \$62,700,000. At the year end, the credit corporation held \$54,743,000 in customers' accounts. Its earnings are consolidated with those of City Stores Company. □ On August 11, 1966 the Company consummated the purchase of the assets of the **Wolf & Dessauer** department store operation in Fort Wayne, Indiana. Wolf & Dessauer has long been the dominant department store in a trading area of nearly 400,000 people and has a wide reputation for quality and fashion. Its modern downtown store is only seven years old and ground was broken in March of this year for a full-line branch of 105,000 square feet in the Southtown Mall Center in Fort Wayne. We welcome this fine store to the Company. □ Capital expenditures for the Company's expansion and renovation program in 1966 amounted to nearly

\$6,000,000, as previously projected. Because of the tight money market, some projects originally scheduled for 1967 will be carried over until 1968. However, it is anticipated that 1967 capital expenditures will be nearly \$5,000,000. □ **Lit Brothers** opened its handsome new Plymouth Meeting, Pennsylvania store in October 1966 in the unique two-level Plymouth Meeting Mall, occupying 165,000 square feet on two floors. Lit's has also installed a new escalator in its main store in downtown Philadelphia and remodeled its fashion floor. □ **Maison Blanche** renovated the children's floor of its main store and also opened an elegant ready-to-wear salon. A 90,000 square foot addition to its 60,000 square foot Westside store and a new 150,000 square foot store in the Clearview Shopping Center in New Orleans are presently planned, to be completed in 1968. □ **Richards** opened in November 1966 a 127,000 square foot store in the Lauderhill Mall in Fort Lauderdale, Florida. This store reflects the great fashion gains being made in this fast growing division of the Company. A 120,000 square foot Richards store is now under construction as part of the Palm Beach Mall in West Palm Beach, Florida, to be opened in the Fall of 1967. □ **Lansburgh's** continued the modernization of its downtown store and is actively pursuing additional branch sites in the Washington, D. C. area. □ **Loveman, Joseph & Loeb** opened its 88,000 square foot store in the Madison Mall in Huntsville, Alabama in March 1966 and has announced a lease for a 110,000 square foot store in the proposed Western Hills Mall on the west side of Birmingham. □ The new downtown store for **Lowenstein's** is almost ready for fixturing and will offer greatly improved shopping facilities for its customers. Lowenstein's will occupy 204,000 square feet on the first four floors of the building and above the store will rise a 25-story apartment tower. In November 1966, Lowenstein's East added a 40,000 square foot floor, bringing the total area to 120,000 square feet. □ **Kaufman-Straus** completed the refurbishing of the main floor of its downtown Louisville store. Planning is now underway for a 40,000 square foot expansion of its store in The Mall. □ **R. H. White's** of Worcester, Massachusetts, has under construction its first branch, a 50,000 square foot junior department store in the Searstown Center in Leominster, Massachusetts. White's will shortly complete renovation of the main

floor of the Worcester store. ☐ Kline's is negotiating for a 30,000 square foot junior department store north of Kansas City, to be opened in the Fall of 1967. ☐ In July 1966, the Boston Redevelopment Authority acquired, by eminent domain, the **CityMart** property. Negotiations are now in process to establish the final taking price. ☐ **Franklin Simon** continued to expand with 10,000 square foot stores in trading areas where it already has representation. New stores were opened during the past year in Natick Mall, Natick, Massachusetts; Plymouth Meeting Mall, Plymouth Meeting, Pennsylvania and Richmond Mall, Cleveland, Ohio. Additional stores will be opened in 1967 in Parmatown Center, Cleveland, Ohio; Tri-County Center, Cincinnati, Ohio and Northwest Plaza Center, St. Louis, Missouri. In addition, Franklin Simon renovated the second floor of its 34th Street store in New York. ☐ **W. & J. Sloane** will shortly open new stores in The Fashion Center, Paramus, New Jersey and in Bethesda, Maryland and will open its first clearance center in the Washington, D. C. area. In 1966, Sloane's completed a 25,000 square foot addition to its White Plains store. ☐ The pace of expansion and remodeling has been accelerated in the past two years. While not all of it will make an immediate profit contribution, we must maintain this program if we are to continue competitive and improve our quality image and services. ☐ In the field of automation, the Franklin Simon customer accounts receivable were placed on the Lit computer and the Loveman accounts are currently being placed on the Maison Blanche computer. Optical scanning registers have been installed in selected departments and stores for developing merchandise classification sales and stock reports. It is expected that this

program will be expanded. As our store expansion continues, effective control of inventories can best be realized through broader use of the more sophisticated techniques of electronic data processing. ☐ Along with all retailers, we face many uncertainties in 1967. Our industry is confronted with rising costs without the assurance of compensating increases in consumer spending. Nonetheless, we expect that continued emphasis on fashion and quality, along with increased efficiency in management, will provide us sufficient gross margins to make possible the continuation of our improvement. ☐ We record with sorrow the death of Albert M. Greenfield, Chairman of the Board of City Stores Company from 1932 to 1959. More than any one individual, Mr. Greenfield was responsible for the shaping of the destinies of this Company. His immeasurable contributions and the force of his character and leadership will be greatly missed and will serve as an inspiration to those of us who succeed him. ☐ We again wish to extend to our employees, our suppliers and our customers our deep thanks for having made our progress in 1966 possible.

Respectfully submitted,

Gustave G. Amsterdam
Chairman of the Board

Frederic Newman II
President

April 18, 1967



Statement of Income

	YEAR (52 WEEKS) ENDED	
	January 28, 1967	January 29, 1966
Sales (including leased departments)	\$355,402,112	\$335,556,907
Deduct:		
Cost of goods sold and operating expenses less carrying charges	336,504,192	318,444,959
Depreciation and amortization	5,028,883	5,012,365
Interest and debt expense	3,348,266	3,485,056
	<u>344,881,341</u>	<u>326,942,380</u>
	10,520,771	8,614,527
Other income — net	42,682	20,314
Minority interest (<i>deduction</i>)	190,398	229,667
Income before federal income taxes	10,373,055	8,405,174
Federal income taxes — deferred — Note D	4,770,000	3,980,000
Net income	<u>\$ 5,603,055</u>	<u>\$ 4,425,174</u>
Income per share	\$1.89	\$1.50

Statement of Income Reinvested in Business

Balance at beginning of year	\$ 29,120,072	\$ 24,694,898
Net income	5,603,055	4,425,174
Balance at end of year — Note E	<u>\$ 34,723,127</u>	<u>\$ 29,120,072</u>

Exclusive of extraordinary items which did not result from the usual or typical business operations of the period and have been credited or charged to reserves.

See notes to financial statements, pages 7 through 9 .

Statement of Financial Condition

	<u>January 28, 1967</u>	<u>January 29, 1966</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 10,259,677	\$ 11,400,516
Accounts receivable — Note B	33,102,997	35,914,816
Merchandise inventories — Note C	47,144,370	41,278,130
Supplies and prepaid expenses	3,256,209	4,046,487
TOTAL CURRENT ASSETS	<u>93,763,253</u>	<u>92,639,949</u>
INVESTMENTS AND OTHER ASSETS		
Investments and advances — net — Note A		
City Stores Credit Corporation	5,491,207	—
Real estate subsidiaries	3,287,714	5,705,058
Sundry investments and other items	1,157,190	1,097,725
	<u>9,936,111</u>	<u>6,802,783</u>
PROPERTY AND EQUIPMENT — Note I		
Land, buildings, leaseholds, fixtures and equipment — at cost	69,600,079	68,689,652
Less accumulated depreciation and amortization	34,694,561	34,395,043
	<u>34,905,518</u>	<u>34,294,609</u>
UNAMORTIZED DEBT EXPENSE	51,839	67,321
	<u>\$138,656,721</u>	<u>\$133,804,662</u>

See notes to financial statements, pages 7 through 9 .

	<u>January 28, 1967</u>	<u>January 29, 1966</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable, accrued and sundry liabilities	\$ 28,419,128	\$ 27,864,083
Current portion of long term debt and mortgages not assumed	3,276,505	4,906,298
Federal income taxes — Note D		
Current	—	489,175
Deferred, applicable to installment sales	9,348,333	5,375,893
TOTAL CURRENT LIABILITIES	<u>41,043,966</u>	<u>38,635,449</u>
LONG TERM DEBT (other than mortgages not assumed) — Note E	14,544,000	16,530,194
RESERVES — Note F	2,711,658	3,230,779
DEFERRED FEDERAL INCOME TAXES — Note D	3,178,350	3,491,218
MORTGAGES NOT ASSUMED — Note I	5,377,101	6,086,291
DEFERRED CREDIT	537,909	563,524
MINORITY INTEREST	1,461,526	1,111,128
OWNERSHIP — Note G		
Common Stock — \$5 par value — Authorized		
6,000,000 shares; outstanding 2,965,213 shares		
(after deducting 12,423 shares in treasury)	14,826,065	14,802,565
Other capital	20,253,019	20,233,442
Income reinvested in business — Note E	34,723,127	29,120,072
	<u>69,802,211</u>	<u>64,156,079</u>
	<u><u>\$138,656,721</u></u>	<u><u>\$133,804,662</u></u>

City Stores Credit Corporation

Statement of Financial Condition — Note A

	January 28, 1967
ASSETS	
Cash	\$ 35,176
Customer receivables — purchased from City Stores Company and subsidiaries	54,742,802
Accrued interest receivable	23,446
	<u>54,801,424</u>
LIABILITIES	
Notes payable to banks	\$43,300,000
Accrued expenses	419,157
	<u>43,719,157</u>
Federal income taxes	93,333
Subordinated debt — due to City Stores Company	1,650,000
Amount (reserve) withheld pending collection of customer receivables	5,474,281
Ownership	
Common Stock — \$1,000 par value — Authorized 5,000 shares	
Outstanding 3,750 shares	3,750,000
Income reinvested in business	114,653
	<u>3,864,653</u>
Total subordinated debt, amount (reserve) withheld pending collection of customer receivables and ownership*	\$10,988,934
	<u>\$54,801,424</u>

* In accordance with an agreement between City Stores Company and the lending banks, the notes payable to banks may be four times the sum of: (a) Subordinated debt, (b) Amount (reserve) withheld pending collection of customer receivables and (c) Ownership.

Statement of Income

	October 5, 1966 to January 28, 1967
Interest income — from City Stores Company and subsidiaries	\$ 634,445
Interest expense	422,632
Other expenses	3,827
	<u>426,459</u>
Income before federal income taxes	207,986
Federal income taxes	93,333
Net income	<u>\$ 114,653</u>

Real Estate Subsidiaries – Unconsolidated Combined Summary of Net Assets — Note A

	January 28, 1967	January 29, 1966
Land, buildings, leaseholds and equipment	\$21,473,759	\$18,756,106
Mortgages payable — current portions \$816,733 and \$715,145, respectively	18,014,593	12,571,089
	3,459,166	6,185,017
Other liabilities and federal income taxes, net of other assets	171,452	479,959
Net assets consisting of intercompany accounts and ownership	<u>\$ 3,287,714</u>	<u>\$ 5,705,058</u>

See note page 9 .

Notes to Financial Statements

City Stores Company and Consolidated Subsidiaries

The financial statements for the preceding year, with certain reclassifications, are included for comparison purposes only. Reference should be made to the previously issued Annual Report for the Accountants' Report and notes relating to those financial statements.

A — PRINCIPLES OF CONSOLIDATION

The accounts of all subsidiaries are included in the accompanying consolidated statement of financial condition, except those of City Stores Credit Corporation and certain real estate subsidiaries (unconsolidated), the investments in which are included in the accompanying consolidated statement of financial condition at amounts equal to the net assets of such subsidiaries. If such real estate subsidiaries were consolidated in the statement of financial condition, the principal effect would be to increase net property and equipment by \$21,473,759 and long term debt by \$17,197,860 and to eliminate investments in and net advances to such subsidiaries of \$3,287,714. The accounts of City Stores Credit Corporation and certain real estate subsidiaries (income before federal income taxes of \$624,482 this year and \$493,984 last year) are included in the consolidated statement of income. Financial statements of the credit company and a summary of the net assets of these real estate subsidiaries are set forth on pages 6 and 7 .

B — ACCOUNTS RECEIVABLE

The Company has an agreement with City Stores Credit Corporation under which accounts receivable are assigned to the credit company, and the credit company remits amounts equal to 90% of the accounts assigned, withholding 10% of the uncollected balances representing the Company's equity. Under the agreement, the Company accepts reassignment of any accounts in default (as defined) as long as it continues to assign accounts.

The accounts receivable are summarized as follows:

	This Year	Last Year
Accounts receivable customers and others (including this year a mortgage commitment receivable of \$2,750,000) — after deducting \$2,974,927 and \$27,351,239, respectively, received on account of the sale to banks of a portion of installment receivables	\$85,300,516	\$52,937,962
Less:		
Accounts receivable assigned to City Stores Credit Corporation this year and banks last year, net of equity of \$5,474,281 and \$1,557,116, respectively	49,268,521	14,014,045
Allowances for doubtful accounts	2,928,998	3,009,101
	<u>52,197,519</u>	<u>17,023,146</u>
	<u>\$33,102,997</u>	<u>\$35,914,816</u>

C — MERCHANDISE INVENTORIES — Determined principally under Retail Method

Merchandise inventories, as summarized below, are priced principally at LIFO

Notes to Financial Statements (Continued)

cost and partly at the lower of cost or market. The inventories priced at LIFO cost would be approximately \$5,800,000 more for this year and \$5,100,000 more for last year if they had been priced at the lower of cost or market.

	<u>This Year</u>	<u>Last Year</u>
At LIFO cost	\$33,917,846	\$29,102,522
Less allowance for discounts	747,293	722,329
	33,170,553	28,380,193
At lower of cost or market	13,973,817	12,897,937
	<u>\$47,144,370</u>	<u>\$41,278,130</u>

D — FEDERAL INCOME TAXES

The Company records income from installment sales for financial accounting purposes at the time sales are made and for tax purposes on the basis of cash collections.

Deferred federal income taxes includes amounts applicable to accelerated depreciation and other noncurrent taxes.

The Company has protested certain proposed tax deficiencies principally related to the deferral of federal income taxes. If a deficiency of taxes is finally determined, it would be substantially covered by present deferred tax reserves.

The accompanying financial statements are subject to final determination of federal, state and local taxes.

E — LONG TERM DEBT (other than mortgages not assumed)

Long term debt is summarized as follows:	<u>This Year</u>	<u>Last Year</u>
Notes payable (including \$180,000 and \$1,478,194, respectively, due to parent)	\$13,644,000	\$15,330,194
4% sinking fund debentures (subordinated)	900,000	1,200,000
	<u>\$14,544,000</u>	<u>\$16,530,194</u>

Annual maturities after one year of notes payable under loan agreements with The Prudential Insurance Company of America and others aggregate \$2,137,000 from 1968 to 1970, \$5,737,000 in 1971, and from \$237,000 in 1972 to \$55,000 in 1978. Note payable to parent company is due serially to 1970. The 4% sinking fund debentures (subordinated) are payable \$300,000 annually. The

loan agreements provide, among other things, for (1) the maintenance of minimum consolidated working capital (as defined) of \$50,000,000, (2) restrictions on the purchase, redemption or other acquisition of the Company's stock, and (3) restrictions on the payment of cash dividends on the Company's common stock (approximately \$2,200,000 is available for the payment of dividends).

F — RESERVES

These have been provided for the following:

	<u>This Year</u>	<u>Last Year</u>
Deferred compensation	\$ 981,975	\$ 677,388
Real estate dispositions	1,110,615	1,500,000
Termination of store operations and restoration of leased properties . . .	318,727	860,512
Other	300,341	192,879
	<u>\$2,711,658</u>	<u>\$3,230,779</u>

The reserves are net of applicable expected federal income tax reduction.

G — STOCK OPTIONS

The Company's Stock Option Plan, as amended in 1964, makes available for granting to selected key executives stock options to purchase 125,000 shares of the Company's common stock. The Plan authorizes the granting of options at 95% of the market price at date of grant through 1963 and at 100% thereafter. Options are exercisable over a ten year or a five year period. During the year, options to purchase 18,450 shares were granted, and options for 1,300 shares were cancelled. At January 28, 1967, options were outstanding for the purchase of 101,050 shares at prices ranging from \$8.43 to \$15.75 per share. During the year, options for 4,700 shares were exercised at prices ranging from \$8.43 to \$12.79 per share. Of the proceeds, \$23,500 was credited to capital stock and \$19,577 was credited to other capital.

H — PENSION PLANS

The Company's non-contributory pension plans (as amended) cover, generally, employees with 20 years of service who are not participants in any other plan to which the Company contributes. The plans provide for retirement at age 65 with no vesting of rights. Although the Company does not presently contemplate funding these plans, it may do so in the future. The Company may amend, modify or terminate the plans in whole or in part at any time. The benefits paid

under these plans, which are charged to operations as paid, approximated \$350,000 and will increase to an annual amount of approximately \$820,000 in 1976. Payments under informal arrangements to presently retired employees were \$346,000 this year and will gradually decline, based on mortality factors. The amount which would have been necessary to fund these plans at January 28, 1967, with respect to past services as related to employees 55 years of age and over and retired employees, has been estimated by the Company's consulting actuary at approximately \$3,500,000 after taxes.

I — CONTINGENCIES AND OTHER COMMENTS

The minimum annual rentals on real property leased by the Company and its consolidated subsidiaries under leases expiring more than three years from January 28, 1967 amount to approximately \$2,200,000 under leases with the unconsolidated real estate subsidiaries and approximately \$7,300,000 under leases with others, including \$400,000 with its parent, Bankers Securities Corporation. Certain of the leases provide for restoration of premises, payment of additional rental based on a percentage of sales over a fixed amount and taxes, insurance or other charges.

The cost of goods sold, buying and occupancy expenses were \$262,537,838 and selling, general and administrative expenses and provision for doubtful accounts were \$73,966,354.

Property and equipment includes real estate in the net amount of \$7,360,193, principally store properties, subject to mortgages which at January 28, 1967 amounted to \$6,165,606. The Company is not liable on the mortgage notes. Three liquidated real estate subsidiaries remain liable on the mortgages.

Real Estate Subsidiaries — Unconsolidated

The minimum annual rentals on real property leased by certain subsidiaries under leases expiring more than three years from January 28, 1967 amounted to approximately \$275,000, of which approximately \$150,000 pertains to properties leased to City Stores Company. Certain of the leases with an aggregate minimum annual rental of approximately \$200,000 have been guaranteed by City Stores Company. Certain of the leases provide for payment of additional rental based on a percentage of sales (related to premises occupied by parent or consolidated subsidiaries) over a fixed amount and for taxes, insurance or other charges.

Accountants' Report

S. D. LEIDESDORF & CO.
CERTIFIED PUBLIC ACCOUNTANTS
NEW YORK, N. Y.

To the Board of Directors

City Stores Company

New York, N. Y.

We have examined the consolidated statement of financial condition of City Stores Company and consolidated subsidiaries as at January 28, 1967, the related consolidated statements of income and income reinvested in business for the year (52 weeks) then ended and the combined summary of net assets of unconsolidated real estate subsidiaries as at January 28, 1967. We have also examined the statement of financial condition of City Stores Credit Corporation as at January 28, 1967 and the related statement of income for the period from October 5, 1966 (date operations commenced) to January 28, 1967. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above, together with the notes to financial statements, present fairly (1) the consolidated financial position of City Stores Company and its subsidiaries (exclusive of City Stores Credit Corporation and the unconsolidated real estate subsidiaries) at January 28, 1967, the consolidated results of operations of City Stores Company and all of its subsidiaries for the year (52 weeks) then ended and the combined net assets of the unconsolidated real estate subsidiaries at January 28, 1967, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year as restated and (2) the financial position of City Stores Credit Corporation as at January 28, 1967, and the results of its operations for the period from October 5, 1966 to January 28, 1967, in conformity with generally accepted accounting principles.

S. D. LEIDESDORF & CO.

New York, N. Y.

April 17, 1967

Historical Comparison

	January 28, 1967	January 29, 1966	January 30, 1965	February 1, 1964	February 2, 1963
Operations*					
Sales	\$355,402,000	\$335,557,000	\$325,045,000	\$313,596,000	\$309,153,000
Index of sales	115%	109%	105%	101%	100%
Income or <i>loss</i> before federal income taxes	10,373,000	8,405,000	3,493,000	<i>1,694,000</i>	<i>3,275,000</i>
Federal income taxes or <i>credit</i>	4,770,000	3,980,000	1,400,000	<i>1,020,000</i>	<i>1,680,000</i>
Net income or <i>loss</i>	5,603,000	4,425,000	2,093,000	<i>674,000</i>	<i>1,595,000</i>
Income per share	1.89	1.50	0.71	—	—
Dividends					
Common stock	—	—	—	—	1,304,000
Per share	—	—	—	—	0.45
Financial					
Current assets	93,763,000	92,640,000	88,656,000	86,914,000	92,667,000
Current liabilities	41,044,000	38,635,000	34,324,000	32,496,000	39,555,000
Working capital	52,719,000	54,005,000	54,332,000	54,418,000	53,112,000
Current ratio	2.3	2.4	2.6	2.7	2.3
Accounts receivable — net of receivables sold	82,372,000	49,929,000	64,535,000	62,968,000	76,385,000
Remittances on portion of receivables	<i>49,269,000</i>	<i>14,014,000</i>	<i>29,427,000</i>	<i>28,832,000</i>	<i>38,097,000</i>
Inventories	47,144,000	41,278,000	40,752,000	39,116,000	39,775,000
Property and equipment — net	34,906,000	34,295,000	35,830,000	38,319,000	41,614,000
Long term debt	14,544,000	16,530,000	20,928,000	25,086,000	29,569,000
Ownership					
Common stock equity	69,802,000	64,156,000	59,702,000	57,476,000	58,150,000
Common stock equity per share	23.54	21.67	20.18	19.43	19.66
Number of common shares outstanding					
Average during year	2,963,444	2,958,000	2,957,863	2,957,863	2,897,000
At end of year	2,965,213	2,960,513	2,957,863	2,957,863	2,957,863

Italics denote negative figures.

* Exclusive of extraordinary items which did not result from the usual or typical business operations and have been credited or charged to income reinvested in business or to reserves.

Directors

GUSTAVE G. AMSTERDAM*
JAMES H. BECKER*
MURRY C. BECKER*
DAVID BORTIN
JOHN R. BUNTING, JR.
RALPH L. GOLDSMITH
BRUCE H. GREENFIELD
JOSEPH A. W. IGLEHART
LOUIS G. MELCHIOR*
ISIDORE NEWMAN, II*
LEONARD J. NOVOGROD
THOMAS C. PILLION
MAX ROBB*
SERGE SEMENENKO*

* Member of Executive Committee

Officers

GUSTAVE G. AMSTERDAM, *Chairman of the Board*
ISIDORE NEWMAN, II, *President*
LOUIS G. MELCHIOR, *Vice President and Treasurer*
JOHN F. BREYER, *Vice President*
LOUIS M. FRANKEL, *Vice President*
J. P. HANSEN, *Vice President*
ELDRIDGE P. JONES, *Vice President*
LEONARD J. NOVOGROD, *Vice President*
EDWIN G. ROBERTS, *Vice President*
PAUL S. WALKER, *Vice President*
IRVING J. ZIPIN, *Secretary and General Counsel*
J. KARL FISHBACH, *Corporate Controller and Assistant Treasurer*
DANIEL MANDEL, *Assistant Secretary*

Transfer Agent The Chase Manhattan Bank, New York, N. Y.
Co-Transfer Agent The First Pennsylvania Banking & Trust Company, Philadelphia, Pa.
Registrar Chemical Bank New York Trust Company, New York, N. Y.
Counsel Goodis, Greenfield, Narin & Mann, Philadelphia, Pa.
Auditors S. D. Leidesdorf & Co., New York, N. Y.

City Stores Company

Corporation Office: 132 West 31st Street,
New York, N. Y. 10001

New York Buying Office: Mutual Buying
Syndicate, Inc., 11 West 42nd Street,
New York, N. Y. 10036

Annual Meeting

Wednesday, May 31, 1967 • 11 A.M. (E.D.S.T.)
Statler Hilton Hotel, 7th Avenue at 32nd Street
New York, New York
Skytop Room







